



Australian Bureau of Statistics

6102.0 - Labour Statistics: Concepts, Sources and Methods, 2001

ARCHIVED ISSUE Released at 11:30 AM (CANBERRA TIME) 18/05/2001 Ceased

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INTRODUCTION

3.1 The labour force framework discussed in Chapter 2 categorises the population into three mutually exclusive groups: employed; unemployed; and not in the labour force. This chapter discusses the concept of employment, and contrasts estimates of employment produced from the Labour Force Survey with those collected in other labour statistics series. The concepts of unemployment and not in the labour force are discussed in subsequent chapters.

CONCEPTS AND INTERNATIONAL GUIDELINES

3.2 The international concept of employment (Thirteenth ICLS 1982) is based on the principle that a person must have been engaged in some economic activity (work) over a short reference period. The concept of economic activity, discussed in Chapter 2, is linked to the concept of production as defined by the SNA. Any activity falling within the SNA production boundary is considered as work for the purposes of measuring employment. Employment is defined broadly in the international guidelines as all persons engaged in one or more hours of work during the reference period, as well as some persons temporarily absent from work.

3.3 According to the international concepts, employed persons comprise those above the age specified for measuring the economically active population, in **paid employment** or **self-employment**, during a specified reference period. **Paid employment** includes persons who performed some work for wages or salary, in cash or in kind, and persons temporarily absent from a paid employment job but who retained a formal attachment to that job. **Self-employment** includes persons who performed some work for profit or family gain, in cash or in kind, and those with an enterprise but temporarily not at work during the specified reference period for some specific reason.

3.4 The notion of 'some work' is interpreted as work for at least one hour. This approach ensures consistency between measures of employment and measures of production of goods and services, as all work (however little) contributing to national production is included in measures of employment.

3.5 The international definition of employment specifies criteria for determining 'temporary absence from work'. Different criteria are used for absences from paid employment and self-employment. Persons absent from paid employment are considered employed provided they retain formal attachment to a job or business. Formal attachment occurs when one or more of the following criteria are met:

- the continued receipt of wage or salary during the absence from work;
- an assurance of a return to work following the end of the absence from work, or an agreement as to the date of return (or at least a reasonable expectation of a return to work); and

- a short duration of absence from the job (which, wherever relevant, may be the duration for which workers can receive compensation benefits without obligation to accept other jobs).

3.6 The notion of formal attachment applies only in respect of absences from jobs involving paid employment. Persons in self-employment who are 'with an enterprise but not at work' (i.e. temporarily absent from work for some specific reason) are considered employed. The international standards do not set out formal criteria for temporary absence from self-employment because of the diverse working patterns of the self-employed. However, guidelines for the self-employed recognise that the continued existence of the enterprise and an acceptable duration of absence (indicated, for example, by the reason for absence) may be sufficient. The treatment of absent contributing family workers in the guidelines is consistent with this view; as they are not considered to have an enterprise of their own, they cannot be 'with an enterprise but not at work', and should not be included among the employed.

DEFINITIONS USED IN ABS SURVEYS

3.7 The ABS produces estimates of employment from both household and business surveys. The definitions of employment used in household surveys are designed to be consistent with the international standards. The definition of employment used in business surveys relates more closely to paid employment.

DEFINITIONS USED IN ABS HOUSEHOLD SURVEYS

3.8 Three different definitions of employment are used in ABS household surveys. The Labour Force Survey is designed to produce precise estimates of employment (and unemployment), and the definition used aligns closely with international standards and guidelines. In other household surveys where employment is an explanatory variable or classificatory variable, it is generally not practical to determine employment as precisely as in the Labour Force Survey. While estimates of employment produced from these surveys are designed to be consistent with the international concept of employment, the definition used is slightly broader than that used in the Labour Force Survey. Two alternative questionnaire modules are used to produce estimates of employment in these surveys - a reduced questionnaire module (for use in personal interviews), and a self-enumerated questionnaire module.

Labour Force Survey

3.9 The definition of employment used in the Labour Force Survey aligns closely with the concepts and international definitions outlined above. Employed persons are defined as all persons 15 years of age and over who, during the reference week:

- worked for one hour or more for pay, profit, commission or payment in kind, in a job or business or on a farm (comprising employees, employers and own account workers); or
- worked for one hour or more without pay in a family business or on a farm (i.e. contributing family workers); or
- were employees who had a job but were not at work and were:
 - away from work for less than four weeks up to the end of the reference week; or
 - away from work for more than four weeks up to the end of the reference week and received pay for some or all of the four week period to the end of the reference week; or
 - away from work as a standard work or shift arrangement; or

- on strike or locked out; or
- on workers' compensation and expected to be returning to their job; or
- were employers or own-account workers, who had a job, business or farm, but were not at work.

3.10 For employees absent from work, a condition of formal job attachment is considered to exist in any of the following circumstances:

- short periods of absence (less than four weeks to the end of the reference week);
- long periods of absence (four weeks or more to the end of the reference week) **and** receipt of wages or salary for some or all of the four week period to the end of the reference week, such as persons on paid leave;
- any period of absence **and** away from work as a standard work or shift arrangement;
- any period of absence **and** on strike or locked out;
- any period of absence **and** continued receipt of workers' compensation payments **and** expected to return to work for the current employer.

3.11 As previously discussed, the international definition of employment recommends the use of certain criteria for determining formal job attachment when dealing with absences from paid employment in the reference week. All three criteria are used in the Labour Force Survey:

- short periods of absence are consistent with the third criterion specified in the international definition: a short duration of absence from the job (which, wherever relevant, may be the duration for which workers can receive compensation benefits without obligation to accept other jobs) - that is, the duration of absence should be short to be considered temporary (note that the international definition does not make recommendations on the duration of temporary absences);
- the receipt of pay, during long periods of absence, or as workers' compensation, is consistent with the first criterion specified in the international definition, continued receipt of wage or salary during the absence from work;
- assurance of a return to work following the end of an absence from work, or an agreement as to the date of return (or at least a reasonable expectation of a return to work), is tested in the case of absence on workers' compensation. However, for employees away from work as a standard work or shift arrangement, and for employees on strike or locked out, it is assumed that an assurance of a return to work or an agreement as to the date of return exists.

3.12 Of the self-employed, employers and own account workers absent from work during the reference week are defined as employed without further testing of 'formal job attachment'. Contributing family workers who are absent from work in the reference week are not considered to be employed. This is consistent with the international guidelines discussed above.

Other ABS household surveys

3.13 Most other ABS household surveys use one of the two alternative questionnaire modules (the reduced questionnaire module used for personal interviews, or the self-enumerated questionnaire module) to produce employment estimates. As discussed above, employment is

more broadly defined in these modules than in the Labour Force Survey:

- most Special Social Surveys use the reduced questionnaire module for personal interviews. Employment in this module is defined as all (in scope) persons who worked for one hour or more during the reference week for pay, profit, commission, or payment-in-kind, or without pay in a family business; or who had a job but were not at work; and
- the Census of Population and Housing uses the self-enumerated questionnaire module. Employment in this module is defined as all persons aged 15 years and over who, during the reference week, worked for payment or profit or as unpaid workers in a family business, or who had a job from which they were on leave or otherwise temporarily absent.

3.14 Estimates of employment produced from the reduced questionnaire module for personal interviews are slightly higher (around 0.1%) than those produced from the Labour Force Survey. This results from differences in the treatment of persons temporarily away from work. In the reduced questionnaire module all persons away from work are classified as employed. In comparison, the Labour Force Survey classifies persons away from work as employed if:

- they are in paid employment and have formal job attachment; or
- they are employers or own account workers.

3.15 The self-enumerated questionnaire module also produces different estimates of employment from the Labour Force Survey. Some differences result from the shortened set of questions, which cannot determine employment as precisely as the Labour Force Survey (as the latter uses a longer set of questions to determine whether persons are employed). The self-enumeration nature of the questions also causes some differences, due to differences in interpretation among respondents. As a result, employment estimates from the self-enumerated questionnaire module are best used as explanatory or classificatory variables to explain other phenomena, rather than for detailed analysis of the labour force itself.

DEFINITION OF EMPLOYMENT USED IN ABS BUSINESS SURVEYS

3.16 Concepts of employment used in ABS business surveys are narrower than the concept used in ABS household surveys. While estimates of employment from household surveys are of **persons engaged in economic activity**, estimates from business surveys are of **jobs involving paid employment**. There are two important distinctions between these estimates: the first relates to the statistical unit being measured, i.e. **persons** versus **jobs**; and the second to the concept being measured, i.e. **(total) employment** versus **paid employment**. These are discussed further below.

3.17 First, estimates of employment from business surveys refer to **jobs** rather than **persons**. For example persons holding jobs with different employers would be counted in ABS household surveys as employed once, but in ABS business surveys would be counted once for each job held.

3.18 Second, estimates of employment from business surveys mainly relate to **paid employment**. Paid employment is a component of total employment; when combined with self-employment, it would provide a concept of employment that is consistent with the international concepts. However, the coverage of paid employment applied in ABS business surveys is narrower than that outlined in the international guidelines. It excludes:

- jobs involving paid employment that do not appear on business payrolls (from which

information on employment is sourced within businesses), such as jobs that are paid in kind only, and jobs from which occupants are absent without pay (for a lengthy period);

- jobs involving paid employment in businesses that have limited coverage on the ABS Business Register (from which the samples for most ABS business surveys are drawn), such as private households engaging staff; and
- jobs involving paid employment in businesses in the Agriculture, forestry and fishing industries; a relatively small proportion of these businesses have employees, thereby making surveying impractical.

3.19 Some industry and economy-wide ABS business surveys, however, do include a component of self-employment as well as paid employment in their surveys. For example, working proprietors and partners are included in the Economic Activity Survey.

3.20 Estimates of the number of paid employment jobs (also referred to as employee jobs) from ABS business surveys are most commonly compared to estimates of the number of persons in paid employment jobs (also referred to as employees) from ABS household surveys. However, estimates of employees from household surveys are not equivalent to estimates of employee jobs from business surveys and, when comparing estimates, the differences outlined above should be considered. Conceptual and methodological reasons for differences between estimates of employees from the Labour Force Survey and estimates of employee jobs from the Survey of Employment and Earnings (a business survey) are discussed in the ABS Information Paper: **Comparison of Employment Estimates from the Labour Force Survey and the Survey of Employment and Earnings** (Cat. no. 6263.0).

DATA SOURCES

3.21 Estimates of employment are available from the following ABS household surveys:

- the Labour Force Survey;
- the Census of Population and Housing; and
- Special Social Surveys.

3.22 Estimates of employee jobs are produced from the following ABS business surveys:

- the Survey of Employment and Earnings;
- the Economic Activity Survey; and
- from time to time, business surveys targeted to particular industries or sectors.

LABOUR FORCE SURVEY

3.23 The monthly Labour Force Survey is the official source for Australian employment and unemployment statistics. The definition of employment used in the Labour Force Survey is outlined above. The survey uses a comprehensive and detailed set of questions to precisely measure the numbers and certain characteristics of persons in employment and unemployment as well as persons not currently economically active. Estimates from the Labour Force Survey

are available by State/Territory, capital city/rest of State, and 67 sub-State regions (see Chapter 15 for more information on geographic classifications available from ABS household surveys). For more detail on the content and methodology of the Labour Force Survey see Chapter 19.

CENSUS OF POPULATION AND HOUSING

3.24 As discussed above (paragraphs 3.13-3.15), the Census of Population and Housing uses the self-enumerated questionnaire module to produce employment estimates consistent with the international standards. However, because the self-enumerated questionnaire module defines employment less precisely than the Labour Force Survey, estimates produced are not strictly comparable with those from the Labour Force Survey. For these reasons, employment estimates from the Census should be used with caution in analyses where labour force activities are a major focus. When comparing estimates of employment from the Census of Population and Housing with those produced from the Labour Force Survey, users should also note differences between the two surveys in scope (for example, the inclusion of permanent defence forces in Census employment data) and methodology. Employment estimates from the Census are available down to the statistical local area level¹. Refer to Chapter 18 for further information on the Census of Population and Housing.

1. Statistical local areas (SLAs) consist of one or more Census collection districts. In aggregate, SLAs cover the whole of Australia without gaps or overlaps. An SLA consists of a single local government area, or part thereof, or any unincorporated area. For further information refer to Chapter 15.

SPECIAL SOCIAL SURVEYS

3.25 As discussed above (paragraphs 3.13-3.15), most Special Social Surveys use the reduced questionnaire module for personal interviews to produce employment estimates that are consistent with the international standards. However, because the reduced questionnaire module defines employment less precisely than the Labour Force Survey, estimates produced are not strictly comparable with those produced from the Labour Force Survey. When comparing employment estimates from Special Social Surveys with estimates from the Labour Force Survey, users should also note differences in scope and methodologies across the surveys.

3.26 The labour-related Special Social Surveys - the Survey of Employment Arrangements and Superannuation (Chapter 21) and the Survey of Employment and Unemployment Patterns (Chapter 22) - both produced estimates of employment. Unlike most Special Social Surveys, neither of these surveys used the reduced questionnaire module to produce measures of employment as described above. Instead, both surveys used questions asked in the Labour Force Survey. However, the questions used in the Survey of Employment Arrangements and Superannuation were modified slightly from those used in the Labour Force Survey and collected information about two jobs where appropriate. For more information on these surveys, refer to the chapters listed above.

SURVEY OF EMPLOYMENT AND EARNINGS

3.27 The Survey of Employment and Earnings is a business survey producing estimates of employee jobs. There are conceptual reasons (as discussed in paragraphs 3.16-3.20) as well as methodological reasons for differences in estimates of employment produced from business and household surveys. For further information on the scope and collection methodology of this survey refer to Chapter 29.

ECONOMIC ACTIVITY SURVEY

3.28 The Economic Activity Survey is a business survey producing employment estimates. There are conceptual as well as methodological reasons for differences in estimates of employment produced from business and household surveys. For further information on the scope and collection methodology of this survey refer to Chapter 31.

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This page last updated 9 February 2006

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